May 15, 2001   LB 536

SENATOR RAIKES: Thank you, Mr. Lieutenant Governor and members. I would...I would try to respond but I didn't...I didn't hear what you said, Senator Wehrbein, so I may ask for a clarification. But first I'd like to ask Senator Connealy a little bit about his discussion of the basis and how basis is affected by corn processing plants, namely, ethanol plants.

SENATOR CONNEALY: Yes.

PRESIDENT MAURSTAD: Senator Connealy, would you yield?

SENATOR CONNEALY: Yes.

SENATOR RAIKES: Senator Connealy, I concluded from your conversation then that we should expect that corn prices would be highest where there are the most ethanol plants, is that true?

SENATOR CONNEALY: Yes, it would...it would help the basis more closer to it, because you have transportation costs, but you also have to look at grain movement. The corn board in the early nineties did some studies on movement of grain and grain kind of moves like water, and across Nebraska it runs from the northeast to the southwest and the south, and it runs kind of downhill. It goes towards the export markets, it goes to the feedlots in Nebraska. So if you put a usage of corn that was in that field it tends to make a dip in it, and increase the amount of basis within that area, but any usage that's used in that stream, in Nebraska's supply, increases the pool because it pools like it does...it would pool water because the grain is all mobile and it's part of the stream. No, we are not going to tremendously change the amount of basis to a larger state with one plant, so you have localized basis changes more, but the usage of corn in Nebraska has increased our basis by a large amount over time, and I would say it's probably 10 percent for the whole state over the last 20 years.

SENATOR RAIKES: Okay. Well, the reason I asked that question, Senator, is that actually I think you would find that the farm price, the basis, would be tighter, or the farm price would be